

INTERNATIONAL TRADE STATISTICS IN THE WEST BANK AND GAZA STRIP

Market Access Program/Development Alternatives Inc.
Contract #294-C-00-99-00060-00
USAID West Bank/Gaza Strip

Written by:
Barbara McClennan
July 1999

Development Alternatives, Inc. (DAI)

CHAPTER ONE

BACKGROUND: A VISION FOR TRADE HARMONIZATION IN THE EASTERN MEDITERRANEAN REGION

In June 1999, Dr. Barbara McLennan visited the West Bank and Gaza to assess the current methodology and effectiveness of collecting trade data by the Palestinian Authority.¹ This issue had been raised by the U.S.-Palestinian Bilateral Committee as a result of questions about the accuracy of U.S. data measuring the level of trade between the United States and the West Bank, especially U.S. exports.

Palestinians believe that more U.S. goods enter the West Bank than are reported in U.S. statistics because the United States does not distinguish trade with Israel from that with West Bank and Gaza. All goods entering the West Bank must first come through Israel and then be reshipped. The June 1999 study made recommendations by which the Palestinian Authority could improve its trade statistics and reduce the gaps in its trade data, given current circumstances.

The Palestinian Authority, through Ministry of Economy and Trade and the Palestinian Central Bureau of Statistics, is anxious to proceed with the modernization of the Palestinian economy, in the context of current world trade standards. For the region to grow economically, it will be necessary for Palestinian trading companies to increase imports and exports of goods and services. The introduction of the Harmonized System of trade coding is one step toward making Palestinian trade compatible with world trading norms.

Beyond the improvement of trade statistics, the introduction of the Harmonized System in the region will make it easier for Palestinians and their neighbors to think about trade on a regional basis and within the context of the evolving global economy. The prosperity of Palestinians is closely linked to the health of surrounding economies, especially that of Israel. Israel's prosperity is also linked to Palestinian development.

In this context, trade harmonization denotes providing the Palestinian economy with the clarity of rules, laws, and regulations of the WTO/GATT framework, which allows businesses to compete in the global marketplace.

Although the dynamics for trade harmonization at the global level through WTO/GATT and at the regional level through the European/Mediterranean Agreement (EMA) continue apace, the political-economic realities of the Peace Process between Israelis and Palestinians require the fulfillment of a "harmonious separation," where the rule of law within open, transparent, and democratic systems replaces martial law and nationalist struggle is a pre-requisite for the normalization of political and economic relationships between the two entities.

¹ See Barbara N. McLennan, *International Trade Statistics in the West Bank and Gaza*. Prepared for USAID under the Small Business Support Project (Bethesda, Maryland: Development Alternatives, Inc.), July 1999.

A harmonious separation cannot take place in an economic vacuum, however, and the opportunity offered through the WTO/GATT framework to provide a fair and equitable system of law, regulation, and arbitration that can help promote building of trade and economic growth should not be underestimated.

It is acknowledged within the Palestinian Authority that trade harmonization within the accepted global framework is essential for the emerging Palestinian state to have a realistic chance for economic survival. Thus, the opportunity to use the WTO/GATT framework to help dismantle the wall of distrust and separation with Israel that stymies economic growth is recognized by H.E. Maher Al Masri, Minister of Economy and Trade, and his colleagues in the Palestinian Authority.

Another political-economic reality is that this harmonious separation must be a win-win scenario within an increasingly deregulated and competitive global market facilitated through WTO/GATT. Otherwise, the separation and all that it entails will fail.

As one Israeli trade official stated, Israel's second-largest trading partner, after the United States, is West Bank and Gaza; he based the statement on data from VAT invoices. This is not surprising because neighboring countries generally become natural and efficient trading partners. Canada remains the largest U.S. trading partner, accounting for more U.S. trade than Japan, the United Kingdom, and Germany put together. Indeed, since the adoption of NAFTA, Mexico is now the second-largest trading partner of the United States, after Canada. U.S. trade with Mexico is greater than that with Japan and greater than trade with the United Kingdom and Germany combined. U.S. trading partners in September 1999 are shown in Table 1.

**Table 1: Top Ten Countries with which the United States Trades
(for September 1999)**

Country Name	Total in Billions of U.S. \$	Year to Date Total in Billions of U.S.\$
Canada	31.22	266.06
Mexico	17.48	141.68
Japan	15.92	137.73
China	9.53	69.27
United Kingdom	6.39	57.58
Federal Republic of Germany	6.27	59.59
Korea, Republic of	4.90	39.04
Taiwan	4.53	39.44
France	3.51	32.92
Singapore	3.00	25.52

Source: Foreign Trade Division, U.S. Census

Notes: The values given are for imports and exports added together.

These countries represent 70.42% of U.S. imports and 66.70% of U.S. exports in goods.

The data in Table 1 confirm that neighboring countries that manage to trade goods, services, and capital efficiently can help one another grow economically. Where trading partners are close geographically, labor and capital can flow to where they are needed, thus raising income for firms that employ the labor, and for the laborers themselves.

During the last 15 years, this free movement of labor and capital between Israel and West Bank and Gaza has not been possible, resulting in depressed business growth and lost opportunities. With the advent of peace, an economic framework to maximize new business opportunities arises where domestic, regional, and international capital and labor can flow to firms in the most optimal location for wealth creation.

In this context of business expansion, new workers, be they Palestinian or Israeli, can then use their newly earned income to purchase goods and services that raise their standard of living and, therefore, stimulate further growth and expansion of the new larger economy.

TRADE HARMONIZATION FRAMEWORK

The Market Access Program (MAP), which is managed by Development Alternatives, Inc. (DAI) on behalf of the U.S. Agency for International Development, is the largest U.S. program of technical and financial support to the Palestinian private sector. The policy management component of the MAP provides assistance to representative business organizations in developing dialogue and consensus with the Palestinian Authority on policy formulation vital to economic growth.

The pilot program for the introduction of the Harmonized System coding of products flowing from or into Gaza is a cornerstone initiative of MAP's policy program and the focus of this consultancy. This initiative, when expanded to encompass Palestinian firms operating in the West Bank, helps lay the foundation for West Bank and Gaza to build a path for trade harmonization in the global economy.

The coding and measurement of trade using international norms from West Bank and Gaza will help place the emerging Palestinian state on the global economic map. This is the fundamental tool to provide reliable trade information on which public and private investment, marketing, and promotion plans can be developed to advance economic growth.

This perspective has been discussed and endorsed by Minister Masri and his senior staff, most recently at a meeting on December 7, 1999. It is clear that the Minister, in his capacity as chairman of the subcommittee on trade and investment within the U.S.-Palestinian Bilateral Committee, supports the trade harmonization program in the context of a policy to open markets for international trade by Palestinian businesses.

The introduction of the Harmonized System also equips MAP to assist Palestinian firms in developing into effective and efficient trading partners that are internationally recognized. Beyond the fact that Palestinian products will for the first time be registered to international

norms, the Harmonized System coding is part of a larger MAP initiative to prepare Palestinian business to compete internationally.

MAP is developing a trade harmonization framework that includes five initiatives:

- " **Trade Marketing**—MAP support to the organizational development and services delivery capacity of the private sector membership-based Palestinian Trade Center (Paltrade), which is the premier national business association in West Bank and Gaza;
- " **Entry Strategy to Global Market**—because the largest trading partner, Israel, is the first port of entry for Paltrade-driven trade promotion activities. The “Palestinian Products and Services Exhibition,” held in Haifa December 2-6, 1999, launched the global entry strategy backed by MAP, and was the first official Palestinian trade exhibition in Israel supported by the Palestinian Authority assisted by the Israel Export Institute and Manufacturers Association;
- " **Standards Harmonization**—an ongoing MAP support program to the Palestinian Standards Institute and the Ministry of Industry. This program will help establish the Institute’s international recognition and gain support from such organizations as ISO, and the European CEN and the NIST in the United States. The program will also help facilitate the movement of goods to regional and international markets through standards setting and harmonization to international norms in cooperation with its Israeli counterpart;
- " **Quality Policy Consensus**—where MAP supports the private sector call for quality assurance of products and services that meet market demands beyond the public sector’s legitimate concerns of health, safety, and environmental protection; and
- " **Private/Public Cooperation**—where MAP is a technical adviser to Paltrade in managing the National Trade Dialogue Project (NTDP), a World Bank-financed program, to initiate and formalize mechanisms on behalf of the Ministry of Economy and Trade to incorporate the views of private sector business representatives in the policy formation process.

In addition and underwriting the specific initiatives listed above, the trade harmonization program is integral to MAP’s process of building sector growth strategies that are driven by private sector programs for increasing competitiveness and investment. Currently, MAP, together with private business leaders formed within sector growth committees, has focused activities in tourism, information technology, pharmaceuticals, and stone and marble, as well as the agribusiness subsectors.

CHAPTER TWO

DEVELOPING TOOLS FOR TRADE HARMONIZATION

This paper reports on progress made on a pilot initiative in Gaza to improve methods of collecting trade data in West Bank and Gaza. This keystone initiative launches the trade harmonization program and follows the recommendations made in July 1999. These recommendations included the following as goals:²

- " Improve the quality of information being collected on the unified invoice;³
- " Improve the system of sharing of information with Israel; Palestinian Authority and Israeli officials should develop regular and normal contacts at the technical levels for the sharing and analysis of information;
- " Introduce the use of automation (for examples, management information systems) wherever possible to speed data collection; and
- " Involve the private sector in the introduction of concepts and need for product classification on shipment documents;

With respect to specific activities, the July 1999 report recommended that the Palestinian Authority:

- " Continue efforts to broaden the use of customs forms as the prime source of information on direct and indirect imports, rather than relying on unified invoices that are filed for VAT purposes;
- " Make an effort to get shippers to type information completely and clearly and to code their products on the unified invoice according to the Harmonized System, the current world standard;
- " Require that shippers of agricultural products fill out the unified invoice, including product description and Harmonized System coding;
- " Accounting departments of large firms and large accounting firms should be asked to lead the way in a program to provide better trade information to the Palestinian Authority; USAID's program to develop accounting standards and MAP should facilitate training for private sector associations;

² The complete list of recommendations made in July 1999 are presented in Annex 1.

³ The unified invoice is a document derived from the interim agreement and does not meet international norms in trade documentation (see June 1999 report).

- " Develop a pilot program and sample survey for Gaza, where borders are defined and enforced, to test the possibility of introducing the Harmonized System in a controlled border environment;
- " Establish a working group of technical specialists and relevant Palestinian Authority officials to ensure world-trading standards are applied to new management information system being developed in the Ministry of Economy and Trade and in Customs. The same methodology should be applied to all new automated systems.

This working group could serve as an advisory committee to the subcommittee on trade and investment within the U.S.-Palestinian Bilateral Committee in the subcommittee's efforts to verify that documentation on certificates of origin under the U.S.-Israel Free Trade Agreement be made available to the Palestinian Authority for goods destined to West Bank and Gaza.

- " Palestinian-Israeli business organizations should develop stronger ties, to support relevant trade data information exchange, in a process that could lead to an increase of regional trade and investment.
- " The Ministry of Economy and Trade should, in conjunction with the Palestinian Central Bureau of Statistics, begin a major permanent program of public education for the business community. Organizations such as Paltrade and the Chambers of Commerce should be active participants in this education process. This program would explain:
 - " The benefits of good economic information for the business community, particularly with respect to market development and market planning;
 - " The need for good information on product classification; and
 - " The benefits of being able to compare business trends to world databases.
- " If there is an issue with respect to U.S. reporting of Palestinian Authority trade, contact should be made directly to the Foreign Trade Division of the Census to understand and sort out the problems.
- " Study should be made of other trade data systems that deal with significant issues of indirect trade and transshipments or re-exports.
- " Contact should be made with the WTO so there will be certainty of Palestinian Authority compliance with normal world data standards.
- " USAID or other U.S. agencies should sponsor study forums to the United States for Palestinian officials and businessmen to understand U.S. trade information services and methodologies, customs practices and procedures, and other trade facilitation measures that are being discussed with the National Trade Dialogue Project (NTDP).

CHAPTER THREE

PILOT INITIATIVE ON THE HARMONIZED SYSTEM IN GAZA

GOALS, ACCORDING TO THE TERMS OF REFERENCE

The Terms of Reference describing this project⁴ detail an approach to allow the development of a pilot customs tariff program in Gaza using the Harmonized System. Although the goal for the Palestinian Authority continues to be the development of a national trade database for West Bank and Gaza, Gaza is the focus of the pilot program because in Gaza controlled borders exist and Palestinian customs authorities are present. Developing such a pilot program was one major recommendation in the July 1999 report.

WORK ACCOMPLISHED, DECEMBER 1999

Dr. McLennan arrived in Ramallah on November 30, and on December 1 briefed USAID in Tel Aviv on the goals and purposes of the project. Along with Denis Gallagher, MAP Policy Adviser, and Dr. James Winkler, MAP Chief of Party, Dr. McLennan provided USAID with an overview of the work accomplished to date, based on the recommendations that had been made in July 1999.⁵

During this meeting, it was agreed that the goals of the project should be broadened to encompass a trade harmonization initiative that begins the integration of various discrete trade promotion activities into a strategic framework. The purpose is not simply to improve the ability to collect good trade statistics, but also to build institutional frameworks and capacity to enhance trade and economic growth throughout the region.

The authors subsequently met with Bassam A. Abdullah, Director of the Foreign Trade Statistics Department of the Palestinian Central Bureau of Statistics, and Hasam Khalifeh (also of the Palestinian Central Bureau of Statistics) on December 1, and were informed that much progress had been made. The Palestinian Central Bureau of Statistics had begun to implement the recommendation by developing draft forms that would allow for a new column on the Unified Invoice that would require Harmonized System information, and for internal data entry forms.

On December 2, Dr. McLennan and Denis Gallagher met with Reuven Graf, Director of Foreign Trade and Balance of Payments, Israeli Bureau of Statistics. Mr. Graf understood and sympathized with the goals of the project. He understood the difficulties of collecting good data on the West Bank because of the indeterminate borders. He noted that he had a list of some 7,000 Israeli companies that trade internationally, and suggested the development and application of a survey of these firms to track their trading activities in Israel and the Palestinian Authority.

⁴ Full text of the Terms of Reference for the December 1999 visit is presented in Annex 2.

⁵ The presentation made to USAID and to the Gaza Working Group appears in Annex 3.

Mr. Graf mentioned that this type of survey had been used in the past. He expressed his keen interest and willingness to meet with his counterparts in the Palestinian Authority to work together so these activities serve the interests of both parties. The authors have exchanged several E-mail communications with Mr. Graf; he appears to be sincere in his desire to work with his Palestinian Authority counterparts to improve the system of collecting trade information.

On December 5 and 6, the authors met with the working group of officials representing various Palestinian Authority ministries in Gaza that will manage the pilot program for Harmonized System coding. The activities of the working group have been endorsed by Minister Maher Al Masri and by Dr. Hasan Abu-Libdeh, the President of the Palestinian Central Bureau of Statistics. It is envisioned that an inter-Ministerial Steering Group will be needed to give guidance as the pilot program evolves toward the next steps in trade harmonization.

Dr. McLennan presented an overview of the project⁶ and demonstrated the use of Harmonized System in the United States by projecting a CD-ROM that permitted interactive use. The working group that participated in this organizing meeting included, in addition to Gaza-based DAI personnel and Iman Al-Wazir, a representative of UNDP:

Saeda Al-Hadidi	Ministry of Economy and Trade (Trade Statistics)
Dr. Mufid Abu Ramadan	Ministry of Economy and Trade (Consultant)
Khalil Tabash	Ministry of Agriculture (Agricultural Statistics)
Baker Abu Zor	Ministry of Finance (Director of Customs)
Husam Khalifeh	Palestinian Central Bureau of Statistics
Salah Abdul Shafi	Paltrade - Gaza Manager

CONSENSUS REACHED BY OFFICIALS AT GAZA MEETING

The group meeting in Gaza discussed the progress that had been made since July and agreed to proceed with a pilot program for collecting trade statistics in Gaza in accordance with Harmonized System. Specifically, there was agreement on the following:

- " The two forms that had been developed for use in collecting information by Harmonized System were approved.
- " There will be a pilot program in Gaza to demonstrate the collection and use of the Harmonized System in coding products.
- " It was agreed that the Palestinian Authority would proceed to establish a training program, and a working group consisting of representatives of the Ministry of Economy

⁶ See Annex 3.

and Trade, the Palestinian Central Bureau of Statistics, and Paltrade will begin work on establishing a training program for ministry personnel and the private sector.

The group noted that since July other accomplishments had been made. The Ministry of Agriculture, which in July had no capacity or plans to collect trade information, now is developing a strategy by which trade information can be collected. In addition, Customs has added personnel, although Customs staff needs to be trained. Gaza has a new automated communications network for border posts, but current forms need to be amended to collect and analyze trade data.

The representative of UNDP who attended the Gaza meeting expressed an interest in assisting with the Harmonized System training program. In addition, the representative of Paltrade offered support and noted the interest of the private sector in promoting training in the Harmonized System as a concrete activity that helps cement public-private cooperation in trade development.

Dr. McLennan has sent a memorandum to members of the Gaza committee, detailing recent accomplishments and plans for future work. This memorandum details the progress made and indicates an action plan as follows:

“Agreements were reached by the Working Group as follows:

1. The Working Group agree that a pilot study will be conducted in Gaza for purposes of introducing Harmonized System coding of imports and exports.
2. It is understood that this is a pilot program only to promote the development and use of Palestinian coding standards that will be in harmony with the international system:
 - a. Gaza has been selected for the pilot study because the region has defined borders and a management information system is already in place.
 - b. The goal is to use what is learned from the project to develop an integrated Palestinian database for the West Bank and Gaza.

Action Plan:

A Working Committee consisting of representatives of the Palestinian Central Bureau of Statistics, Ministry of Economy and Trade, and Paltrade will begin work on devising training programs in the use of the Harmonized System for ministry personnel and the private sector.”⁷

⁷ Full text of this memorandum is Annex 4.

CHAPTER FOUR PLAN FOR FUTURE ACTIVITIES

The December work program points to several areas for future work, each of which should be closely monitored.

TRAINING PROGRAMS

Representatives of the Ministry of Economy and Trade, the Palestinian Central Bureau of Statistics, and Paltrade have now agreed that training programs in Harmonized System coding should begin initially in Gaza and be expanded to the West Bank; this approach is consistent with a program of developing greater international trade capabilities for all Palestinian traders.

Dr. Bashir Rayes, MAP Gaza Manager, and Denis Gallagher, MAP Policy Advisor, will continue to provide technical support and coordination to the working group. A first step will be to contact Jordanian public and private sector officials, possibly in liaison with USAID/Amman, to secure access to Arabic language training materials in Harmonized System coding. UNDP has also indicated both technical and financial support may be available to the Gaza pilot program.

The authors summarized their work for Minister Maher Al Masri and his senior staff, including Sa'eb Bamy, Director General for Trade, and International Cooperation, and Abdul Haifith Nofal, Director General for Foreign Trade, at a meeting on December 7. At this meeting, it was clear that the Ministry supported the pilot project and its expansion into a national program in the context of a policy to improve international trade development by Palestinian businesses, a view subsequently endorsed by Dr. Hasan Abu-Libdeh, the President of the Palestinian Central Bureau of Statistics.

To assist the Palestinian Authority in developing its training program, Dr. McLennan demonstrated an array of written and interactive materials that will be useful for teachers and students in training sessions. These materials are:

- " CD-ROM, Harmonized Tariff Schedule of the United States, 1999;
- " CD-ROM, World Customs Organization, The Harmonized Commodity DataBase. April 1999;
- " Catalogue, U.S. Government Printing Office, summer 1999;
- " Harmonized System Convention, with list of signatories, World Customs Organization;

- " Excerpts, relating to harmonized system:
- " US Foreign Trade Highlights, 1988,
- " L. F. Wells, *Selling to the World*. (McGraw Hill, 1996),
- " T. E. Johnson, *Export/Import Procedures and Documentation* (American Management Associations, 1997), and
- " E.T. Rossides, US Import Trade Regulation (Bureau of National Affairs, 1986);
- " The Harmonized Tariff Schedule of the United States. General Rules of Interpretation (1999) (disk);
- " United States Customs Service, Importing into the United States (November 1998); and
- " United States Department of Commerce, A Basic Guide to Exporting, 1998.

The CD-ROM produced by the World Customs Organization presents a generic Harmonized System that can be used to develop an individual new country coding system. This will be useful as the Palestinian Authority moves to development of its own national coding system.

REGIONAL PROGRAMS

A survey of Israeli trading companies would be extremely useful to the Palestinian Authority for gaining an understanding of the scale and direction of trade between Israel and the West Bank. This information would be useful for all traders on both sides of the border and would provide information currently not available.

A successful, cooperative effort by the Palestinian Authority and Israel on such a project could also serve as a model by which an overall trade improvement program, such as envisaged by MAP, could be broadened. This would contribute to overall regional trade harmonization.

CHAPTER FIVE

CONCLUSIONS: WORK ACCOMPLISHED AND STILL TO BE DONE

Much has been accomplished in implementing the recommendations of the June 1999 report. The Palestinian ministries have reached a consensus that the Harmonized System should be adopted and that training programs for public and private sector should be established and executed.

It was further agreed that:

- " Training materials (in Arabic) will be secured and a sub-group in Gaza consisting of Ministry of Economy and Trade, Customs, the Palestinian Central Bureau of Statistics, and Paltrade will develop appropriate methodologies to initiate Harmonized System coding **during Q1 2000**.
- " Public awareness workshops will be held in Gaza to explain the benefits of Harmonized System coding **during Q1 2000**.
- " Paltrade will identify as a integral element of its trade facilitation service 50 leading Gazan exporting firms clustered in subsector groups, together with leading freight forwarding and shipping agents, to establish a feasible program for Harmonized System product coding to be completed **by end Q2 2000**.
- " Palestinian Customs authorities and Ministry of Economy and Trade will establish a timetable with their Israeli counterparts to guarantee Harmonized System coding on all products and accompanying trade documentation to imports and exports from Gaza **by July 1, 2000**.
- " Efforts will be made, in conjunction with Israeli counterparts, to develop a survey of trading companies that will provide information on imports and exports from the West Bank **by August 1, 2000**.
- " The inter-Ministerial Steering Group led by Palestinian Customs authorities and the Ministry of Economy and Trade will develop the modalities and timetable in cooperation with their Israeli counterparts to extend Harmonized System coding on all products and accompanying trade documentation to imports and exports from the West Bank **by September 1, 2000**.

In addition, there is recognition by both Palestinian and Israeli officials that progress in certain areas (for example, the measurement of West Bank trade) will require cooperation and full participation by both sides. This could become the beginning of a trade harmonization program that with cooperation and good will on both sides could spread into other areas.

In turn, a basis will be established by which the international trading community, including the United States, will be able to gauge accurately the trade flows and depth of economic engagement to the West Bank and Gaza.

These activities will be facilitated and monitored closely by MAP and made consistent with other activities to support the overall Trade Harmonization Program.

ANNEX 1

RECOMMENDATIONS

From Barbara N. McLennan,
International Trade Statistics in the West Bank and Gaza.
Prepared for the USAID Market Access Program
(Bethesda, Maryland: Development Alternatives, Inc., July 1999).

RECOMMENDATIONS TO IMPROVE CURRENT TRADE DATA COLLECTION METHODOLOGIES IN THE SHORT TERM

The goal of the Palestinian Authority is to establish a method of collecting trade statistics that will yield accurate and reliable information that can be used for economic and investment planning. There is also a need to improve current data in as timely a way as possible. Based on what was learned from interviews with Palestinian Authority and Israeli officials, the following should yield important improvements in the database in the short run:

- " Improve the quality of information being collected on the unified invoice;
- " Improve the system of sharing of information with Israel; Palestinian Authority and Israeli officials should develop regular and normal contacts at the technical levels for the sharing and analysis of information;
- " Introduce the use of automation wherever possible to speed data collection;
- " Involve the private sector in the introduction of concepts and need for product classification on shipment documents;
- " Continue current efforts to broaden the use of customs forms as the prime source of information on direct and indirect imports, rather than unified invoices that are filed for VAT purposes;
- " Make an effort to get shippers type information completely and clearly and to code their products on the unified invoice according to the Harmonized System, the current world standard;
- " Require that shippers of agricultural products fill out the unified invoice, including product description and Harmonized System coding;
- " Ask accounting departments of large firms and large accounting firms to lead the way in a program to provide better trade information to the Palestinian Authority; USAID's program to develop accounting standards and its Market Access Program (MAP) should facilitate training for private sector associations;
- " Develop a pilot program and sample survey for Gaza, where borders are defined and enforced, to test the possibility of introducing the Harmonized System in a controlled border environment;
- " Establish a working group of technical specialists and relevant Palestinian Authority officials to ensure world-trading standards are applied to new management information system being developed in the Ministry of Economy and Trade and to Customs. The same methodology should be applied to all new automated systems.

This group could serve as an advisory committee to the U.S.-Palestinian Bilateral Committee Subcommittee on Trade and Investment in its efforts to verify that documentation on certificates of origin under the U.S.-Israel Free Trade Agreement be made available to the Palestinian Authority for goods destined to West Bank and Gaza; and

- " Develop stronger ties between Palestinian and Israeli business organizations to support relevant trade data information exchange, in a process that could lead to an increase of regional trade and investment.

RECOMMENDATIONS TO DEVELOP A PROGRAM TO IMPROVE TRADE DATA COLLECTION METHODOLOGIES FOR THE LONG TERM

The recommendations listed above lead naturally to the suggestions of specific programs by the ministries involved:

- " The Ministry of Economy and Trade should, in conjunction with the Palestinian Central Bureau of Statistics, begin a major permanent program of public education for the business community. Organizations such as Paltrade and the Chambers of Commerce should be active participants in this education process. This program would explain:
 - The benefits of good economic information for the business community, particularly with respect to market development and market planning;
 - The need for good information on product classification; and
 - The benefits of being able to compare business trends to world databases.
- " MAP technical assistance should facilitate improved use of trade data and information as part of the National Trade Dialogue Project financed by World Bank and PECJAR, as well as through other MAP activities.
- " Contacts should be opened with other entities that collect trade data, so that the Palestinian Authority will be in accordance with current approaches used by other world trading nations:
 - If there is an issue with respect to U.S. reporting of Palestinian Authority trade, contact should be made directly to the Foreign Trade Division of the Census to understand and sort out the problems;
 - Study should be made of other trade data systems that deal with significant issues of indirect trade and transshipments;
 - Contact should be made with the WTO so there will be certainty of Palestinian Authority compliance with normal world data standards; and

- USAID or other U.S. agencies should sponsor study forums to the United States for Palestinian officials and businessmen to understand U.S. trade information services and methodologies.
- “ The Ministry of Economy and Trade and the Palestinian Central Bureau of Statistics should familiarize themselves with the uses of good economic and trade data and how this information can be turned into useful analysis for the private sector and public sector planning:
 - Collection of data should yield short term reports and benchmarks;
 - Trends across industries and over time should be published in regular reports and be made available to public and private sectors; and
 - The data processing system and data should be compliant with world standards as exemplified in U.N. guidelines and WTO standards.
- “ The Ministry of Economy and Trade and the Palestinian Central Bureau of Statistics should develop a program that aims to strengthen technical abilities to gather, analyze and publish trade data in a timely fashion:
 - The Palestinian Authority should embark on a program that would strengthen the Palestinian Central Bureau of Statistics as the central data collection agency.
 - Programs should be put in place to facilitate timely sharing of data and analysis across agencies and with the public.
 - Automation should be put in place so that offices in the field are linked with central data processing units; data should be shared automatically and be made easily accessible to users. Every effort should be made to adapt the latest WTO and Harmonized Systems; and
 - Efforts should be made by the Ministry of Economy and Trade to coordinate donor support to develop an integrated and better developed institutional capacity of the Palestinian Central Bureau of Statistics, the Ministry of Economy and Trade, Customs, and other agencies.

ANNEX 2

TERMS OF REFERENCE

TERMS OF REFERENCE

A short-term consultant, Dr. Barbara McLennan, will be engaged to assist a PCBS “Task Force” comprising officials from the Ministry of Economy and Trade, and the Ministry of Finance (Customs Authority), with the continuing support of UNDP and UNSCO in the design and introduction of the Harmonized System Code for imports and exports of Gaza.

The following SOW describes the responsibilities of Dr. McLennan as lead consultant for DAI/MAP to the Palestinian Central Bureau of Statistics.

- " This scope of work authorizes the Palestinian Central Bureau of Statistics (PCBS) to prepare a detailed profile of the laws, policies, and regulations that need to be repealed, amended or implemented to allow the development of a pilot customs tariff program in Gaza using the Harmonized System (HS).
- " This objective of introducing the HS tariff classification system was highlighted by the private sector during the launch of the National Trade Dialogue Program (NTDP). The proposed response to this issue will focus on Gaza where controlled borders exist and Palestinian Customs authorities are present. This consultancy will utilize where practical the recommendations contained in a July 1999 study of “International Trade Statistics” undertaken by Dr. Barbara McLennan on behalf of the Ministry of Economy and Trade and the US/Palestine Bilateral Committee.

The objectives of this current assignment are to:

1. *Define* the extent that absence of HS coding of import and export products damages Gazan companies’ ability to compete internationally;
2. *Classify* the practical steps needed to enforce the acceptance of HS coding of imports and exports to Gaza;
3. *Identify* the Palestinian and Israeli agencies and international organizations that are key to the introduction of the HS system and recording of trade flows in Gaza;
4. *Outline* a strategy for the private sector participation in the introduction of HS coding of imports and exports documentation in Gaza that makes business sense;
5. *Design* an approach, by which the public and private sector agencies in Gaza will jointly propel the implementation of the HS coding on all trade that is not intra-Palestinian.

The outcome of this prototype exercise should enable the Palestinian public and private sectors to prepare a policy strategy and “white paper” on the introduction of the HS system for all imports and exports including those originating or passing through Israel.

This policy strategy will assist the Palestinian Central Bureau of Statistics (PCBS) and the Ministry of Finance (Customs and VAT Authority) to support the private sector by streamlining import and export documentation and by providing timely and accurate trade information for business planning.

Level Of Effort

ACTIVITY	Introduction of the Harmonized System for Tariff Classification in Gaza.
START DATE	December 1, 1999
LEAD	Palestinian Central Bureau of Statistics assisted by Dr. Barbara McLennan
CONSULTANT	DAI/MAP
TASK MANAGER	

ANNEX 3

SLIDE PRESENTATION

SLIDE PRESENTATION

insrt Annex 3 Slides.ppt here

ANNEX 4

**MEMORANDUM TO GAZA WORKING GROUP
ON THE TRADE INITIATIVE**

MEMORANDUM

Date: 12/12/99

To: Working Group On Gaza Trade Harmonization Initiative

From: Barbara N. McLennan, Ph.D., JD

RE: Accomplishments of Working Group meeting and Action Plan

- I. On December 6 and 7, 1999, the following people met to discuss the requirements for proceeding with a pilot program in Gaza for introduction and use of Harmonized System (HS) coding on imports and exports:

Saeda Al-Hadidi, Ministry of Economy and Trade (Trade Statistics)

Dr. Mufid Abu Ramadan, Ministry of Economy and Trade (Consultant)

Khalil Tabash, Ministry of Agriculture (Agricultural Statistics)

Baker Abu Zor, Ministry of Finance (Director of Customs)

Husam Khalifeh, Palestinian Central Bureau of Statistics

Salah Abdul Shafi, PalTrade - Gaza Manager

This meeting was also attended by myself, MAP personnel in Ramallah (Denis Gallagher) and Gaza (Bashir Rayes), and a representative of UNDP.

- II. This meeting heard reports on progress made since July 1999 in introducing international standards into the system of tracking and collecting data on Palestinian imports and exports. Reports heard were:

- " An overview of the overall objectives of the MAP program for developing a trade strategy and involving the private sector;
- " A review of the major gaps in the Palestinian trade data base and the major causes of these gaps (that is, problems resulting from the use of the Unified Invoice and difficulties in tracking indirect shipments coming through Israel); and
- " An explanation and demonstration of the Harmonized System now in use in the United States.

- III. Progress was reported in several areas:

- " The Palestinian Central Bureau of Statistics has developed new forms that would require entry of Harmonized System classification on the Unified Invoice and would permit data entry of this information into the Palestinian Central Bureau of Statistics data bases.

- " The Ministry of Agriculture has begun a program to develop a strategy by which international trade statistics would be collected.
- " Agreements were reached by the Working Group as follows:
 - " The Working Group agrees that a pilot study will be conducted in Gaza to introduce the Harmonized System coding of imports and exports.
 - " It is understood that this is a pilot program only to promote the development and use of Palestinian coding standards that will be in harmony with the international system:
 - Gaza has been selected for the pilot study because the region has defined borders and a management information system is already in place.
 - The goal is to use what is learned from the project to develop an integrated Palestinian data base for the West Bank and Gaza.

IV. Action Plan:

A Working Committee consisting of representatives of the Palestinian Central Bureau of Statistics, Ministry of Economy and Trade, and Paltrade will begin work on devising training programs in the use of the Harmonized System for ministry personnel and the private sector.